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IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

SGS-THOMSON MICROELECTRONICS, INC.,
Petitioner,

v.

INTERNATIONAL RECTIFIER CORPORATION,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY TO INTERNATIONAL RECTIFIER'S BRIEF IN OPPOSITION TO PETITION

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PETITIONER'S REPLY TO INTERNATIONAL RECTIFIER'S BRIEF IN OPPOSITION TO PETITION [1]

International Rectifier's opposition does not substantially dispute the central error committed by the court below: that the Federal Circuit completely vitiated plaintiff SGS-Thomson's interest in litigating this case in its home forum. The opposition also does not substantially or persuasively dispute that the Federal Circuit's decision conflicts with decisions of the Fourth and First Circuits. Instead, the opposition attempts to minimize the conflict and obscure the Federal Circuit's error by arguing that the decision was nonprecedential and that the error was harmless. But review in this Court cannot be prevented merely because a lower court's decision is issued in "nonprecedential" form. Furthermore, the Federal Circuit's decision was indisputably harmful error—

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[1] The Rule 29.1 Statement appears at p. ii of the petition.

SGS-Thomson was effectively deprived of its right to appellate review of the erroneous transfer decision and will continue to be deprived of its right to pursue its claims in the forum of its choice before a jury drawn from that community. A plaintiff's presumptive right to litigate in its home forum, should it so choose, is too fundamental in American law for its loss to be categorically dismissed as harmless.[2]

I. THE FEDERAL CIRCUIT ERRONEOUSLY REMANDED THE CASE TO THE CENTRAL DISTRICT OF CALIFORNIA AND CREATED DIVISION AMONG THE CIRCUITS.

International Rectifier's opposition argues that the Federal Circuit's decision to remand this case to the Central District of California may be defended under the balancing test required by the permissive transfer statute, 28 U.S.C. § 1404(a). But that is a purely hypothetical defense because the courts below never undertook the analysis suggested by respondent. IR's argument is no more than a *post hoc* rationale for a decision that was deeply flawed. As SGS-Thomson's petition makes clear, no court in this case has ever applied respondent's test or even considered section 1404(a) at all. The Texas District Court transferred the case under 28 U.S.C. § 1406(a), not section 1404(a), because it concluded, erroneously, that personal jurisdiction and venue did not exist in the Northern District of Texas. The Federal Circuit, after finding that personal jurisdiction and venue were proper in Texas (and that the transfer under 28 U.S.C. § 1406(a) was thus error), simply decided, *sua sponte*, to remand the case to California. The Federal

[2] International Rectifier's suggestion that this Court lacks jurisdiction over the petition, because the Federal Circuit lacked jurisdiction over the appeal, *see* Opp. at 2, is wholly without merit. Because International Rectifier addressed that issue in its cross-petition (No. 94-666), SGS-Thomson will respond to International Rectifier's contention in its opposition to the cross-petition.

Circuit did not even purport to conduct the balancing test required under section 1404(a) and absolutely disregarded the most important factor in that test: SGS-Thomson's interest in litigating in the forum of its choice.

In remanding to the Central District of California, the Federal Circuit relied entirely upon the supposed familiarity of the district judge there, Judge Manuel L. Real, with the issues in the case. But even if this factor can be considered under the permissive transfer provision of 28 U.S.C. § 1404(a), it cannot be considered in isolation, but rather must be weighed with other factors in the balancing process required under the statute. Consideration of the plaintiff's interest in proceeding in the forum of its choice is a mandatory element of that balancing. *See Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955) ("plaintiff's choice of forum is . . . to be considered"); *FDIC v. Citizens Bank & Trust Co.*, 592 F.2d 364, 368 (7th Cir.) ("the trial court must give some weight to the plaintiff's choice of forum"), *cert. denied*, 444 U.S. 829 (1979); *Pasco Int'l (London), Ltd. v. Stenograph Corp.*, 637 F.2d 496, 501 (7th Cir. 1980). Neither the district court in Texas nor the Federal Circuit ever addressed the balancing required under section 1404(a).

In this posture, the only appropriate course for the Federal Circuit was to remand to the proper forum, the Texas District Court, which then could fully consider whether transfer was appropriate under section 1404(a).[3]

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[3] As IR notes, whether a court of appeals may, in appropriate circumstances, itself utilize section 1404(a) to transfer a case is not in question. *Compare* Opp. at 11 n.7 *with* Pet. at 10 n.4. Nevertheless, for a court of appeals to do so, the case must be "unusual" and the court of appeals must fully consider the appropriate factors under section 1404(a). *See Koehring v. Hyde Construction Co.*, 382 U.S. 362, 365 (1966) (per curiam). IR, moreover, misreads two of the cases on which it relies (Opp. at 11 n.7), citing them as examples of transfers by courts of appeals. In fact, in *Hunt v. Bankers Trust Co.*, 799 F.2d 1060, 1070 (5th Cir. 1986), and *Corke v. Sameiet M.S. Song of Norway*, 572 F.2d 77 (2d Cir.

As the petition demonstrates, transfer under section 1404(a) would not have been proper. First, SGS-Thomson's choice of forum is entitled to substantial deference, and that factor was not considered by the Federal Circuit.[4] Second, at the time SGS-Thomson filed its complaint in Texas in June 1991, there was no litigation between SGS-Thomson and IR pending in the Central District of California. The 1990 case IR cites had been settled. *Compare* Opp. at 3-4. Moreover, although IR attempts to suggest that the 1990 case is somehow related to this case (*see id.*), that case involved IR's patents, did not bear in any way on the SGS-Thomson patents at issue in this case, and was settled *prior* to any substantive proceedings in the California District Court.

More importantly, to the extent that the Federal Circuit believed that remand to the California District Court was appropriate because that court had prior experience with similar patents in other cases, the Federal Circuit's decision directly conflicts with the decision of the First Circuit in *Codex Corp. v. Milgo Elec. Corp.*, 553 F.2d 735 (1st Cir.), *cert. denied*, 434 U.S. 860 (1977). By looking to other litigation, IR's argument, in large part, is that the California District Judge had knowledge of the parties and the general technology as a result of his access to information "outside of the record" (*see* Opp. at 10 n.6)

1978), the courts of appeals merely reviewed district court transfer decisions; the courts of appeals did not initiate the transfers. IR's other case, *International Tel. & Tel. Corp. v. General Tel. & Elec. Corp.*, 527 F.2d 1162, 1164 (4th Cir. 1975) (per curiam), also does not support its position. In that case, the Fourth Circuit directed the district court to transfer based on a fact—reversal of a case that had been accorded *res judicata* effect by the district court—that did not exist at the time of the transfer.

[4] IR's suggestion that the Federal Circuit did weigh SGS-Thomson's interest in the forum of its choice, Opp. at 13-14, is unfounded. The Federal Circuit was cognizant of where SGS-Thomson had sued, of course; but, its opinion demonstrates none of the weighing or deference to the plaintiff's forum choice that section 1404(a) and the cases require. *Compare* Pet. App. 6a.

of this case. The *Codex* court flatly rejected reliance on such "familiarity." Additionally, *Codex* more generally stands for the proposition that the "familiarity" a district judge has with the subject matter of a case is a factor that, contrary to the Federal Circuit's view, weighs against rather than in favor of transfer.[6]

Furthermore, any familiarity the California District Court developed following the erroneous transfer must be disregarded. To do otherwise would make an erroneous transfer decision completely unreviewable. Here, SGS-Thomson sought to have the Texas court's erroneous personal jurisdiction and transfer decision reviewed immediately, both under 28 U.S.C. § 1292(b) and by writ of mandamus, before the transferee court had any involvement or familiarity with the case. In each instance, immediate review was denied as premature, leaving the jurisdiction and transfer issues to be addressed in an ultimate appeal on the merits. *See* Pet. at 4. To conclude in the merits appeal, as the Federal Circuit did, that the transfer decision, although erroneous, was harmless and should not be corrected because of the transferee court's subsequently-gained "familiarity" with the case creates an intolerable "Catch-22" situation.

Finally, IR's suggestion that the Federal Circuit's decision is consistent with the Fourth Circuit's opinion in *Southern Railway Co. v. Madden*, 235 F.2d 198 (4th Cir.), *cert. denied*, 352 U.S. 953 (1956), is absurd. Although in that case the Fourth Circuit ruled that it was error not to transfer the case from the district in which it had been filed by the plaintiff, *Southern Railway*'s import here is that the Fourth Circuit ordered remand to

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[6] Courts of appeals in other contexts similarly have recognized that a district judge's prior involvement with a case may counsel in favor of assigning the case to a different judge on remand. *See, e.g.*, United States Court of Appeals for the Seventh Circuit, Circuit Rule 36; *United States v. Sears, Roebuck & Co.*, 785 F.2d 777, 780 (9th Cir.), *cert. denied*, 479 U.S. 988 (1986).

the appropriate forum *notwithstanding* the fact that there had been two trials in the initial forum. That case and *Codex* both stand for the proposition that naked "familiarity" is insufficient to support the assignment of a case to a particular district judge. Such supposed "familiarity" was the sole basis for the Federal Circuit's decision here.

II. THE FEDERAL CIRCUIT'S DECISION IS NOT HARMLESS.

IR asserts that this Court should not review the Federal Circuit's decision because that court labeled its decision "nonprecedental." But, the propriety of this Court's review cannot turn in any way on the internal procedures of a court of appeals. In fact, in just the past two Terms, this Court has reviewed several decisions that had been issued as "nonprecedential" opinions by the courts of appeals. *See, e.g., Spectrum Sports, Inc. v. McQuillan*, 113 S. Ct. 884 (1993); *Church of the Lukumi Babalu Aye v. City of Hialeah*, 113 S. Ct. 2217 (1993); *United States v. Edge Broadcasting Co.*, 113 S. Ct. 2696 (1993); *Kokkonen v. Guardian Life Ins. Co.*, 114 S. Ct. 1673 (1994).

Moreover, the Federal Circuit has avoided consistency by using the "nonprecedential" label. In *Katz v. Lear Siegler, Inc.*, 1993 U.S. App. LEXIS 17507 (Fed. Cir. 1993), also issued as a nonprecedential decision, the Federal Circuit held that a case had been improperly transferred under 28 U.S.C. § 1406(a) and thus ordered it remanded for further proceedings to the court in which the plaintiff had originally filed his complaint, despite the fact that substantial proceedings already had occurred in the transferee court. The Federal Circuit's decision in *Katz* is 180 degrees from its decision in this case.

IR's alternate suggestion, that the Federal Circuit properly found that the decision to transfer was "harmless error" both misconceives the nature of the harmless error rule and the effect of the Federal Circuit's decision.

First, the harmless error rule does not apply here at all. SGS-Thomson did not argue that the rulings of the California District Court should be reversed or vacated simply because the case had been improperly transferred to that court. Instead, SGS-Thomson sought, to the extent further proceedings were required due to other errors, to have the case remanded to the proper forum, the Texas District Court. This is the sole issue on which SGS-Thomson seeks certiorari.

Second, any contention that the continuing denial of SGS-Thomson's right to litigate in the forum of its choice is harmless flies in the face of the precedent of this Court discussed in the petition. This Court repeatedly has recognized that the plaintiff has a right to choose its preferred forum in the first instance and that it is a choice which, even under 28 U.S.C. § 1404(a), should prevail in most instances. *See* Pet. at 11-13.

The cases cited by IR in support of the proposition that an erroneous transfer decision is harmless reflect its misunderstanding of the question presented for review. These cases (Opp. at 15) stand only for the proposition that decisions on the merits should not be reversed simply because an erroneous transfer decision was made. They do not stand for the proposition that there is no harm where a remand for further and extensive proceedings (including a jury trial) is made without any regard for the plaintiff's right to proceed in the forum of its choice.[6]

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[6] In fact, *Gulf Research & Dev. Co. v. Harrison*, 185 F.2d 457, 459 (9th Cir. 1950) (cited in Opp. at 15), and the cases that follow it, support SGS-Thomson's position. In those cases, the courts of appeals refused to grant petitions for mandamus to review transfer decisions in part because of the possibility of relief being granted on review of the transferee court's decision. The Federal Circuit's approach forecloses that possibility.

CONCLUSION

For the foregoing reasons and those stated in the petition, the petition for a writ of certiorari should be granted.

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